City of Marlette
Sanilac County, Michigan

Audited Financial Report June 30, 2008

Lehn L. King Certified Public Accountant Marlette, Michigan

City of Marlette Annual Financial Report For The Year Ended June 30, 2008

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Honorable City Council City of Marlette Sanilac County, Michigan

Independent Auditor's Report

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Marlette, Michigan as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Marlette, Michigan's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted the audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that the audit provides a reasonable basis for my opinions.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Marlette, Michigan as of June 30, 2008 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 22, 2008 on our consideration of the City of Marlette's internal control over financial reporting and on our tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis, and the budgetary comparison schedules, as identified in the table of contents, are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, I did not audit the information and express no opinion on it.

The Audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Marlette, Michigan's basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Lehn L. King

Certified Public Accountant

September 22, 2008

Lehn King

Marlette, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS LETTER

Our discussion and analysis of the City of Marlette's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2008. Please read it in conjunction with the City's financial statements.

Financial Highlights

The State of Michigan D.E.Q. mandated sewer upgrade was completed this fiscal year, resulting in higher utility bills to residents.

In the coming year, there is a street project improving Lamotte Street. The cost of this project will be paid from the Street Funds.

Using this Report

This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No.34. GASB Statement 34 implements a new model of financial reporting for state and local governments designed to enhance the usefulness of the City's annual report.

The City as a Whole

The following table shows in a condensed format, the net assets as of the current date and compared to the prior year's net assets.

		Governmental Activities			Business-Type Activities				Total			
		6/30/2008		6/30/2007	6/30/2008		6/30/2007		6/30/2008		6/30/2007	
Current Assets Noncurrent Assets	\$	1,171,471 12,944,650	\$	1,321,065 11,380,648	\$ 323,311 4,835,224	\$	227,449 4,999,317	\$	1,494,782 17,779,874	\$	1,548,514 16,379,965	
Total Assets		14,116,121		12,701,713	5,158,535		5,226,766		19,274,656		17,928,479	
Current Liabilities Noncurrent Liabilities Total Liabilities		492,805 8,000,613 8,493,418		690,112 6,340,586 7,030,698	 57,602 242,785 300,387		49,581 263,278 312,859		550,407 8,243,398 8,793,805		739,693 6,603,864 7,343,557	
Net Assets: Invested in Capital Assets - Net of Related Debt Unrestricted	_	4,526,660 1,096,041		4,844,869 826,143	 4,544,721 325,476		4,677,868 236,039	_	9,071,381 1,421,517		9,522,737 1,062,182	
Total Net Assets	\$	5,622,701	\$	5,671,012	\$ 4,870,197	\$	4,913,907	\$	10,492,898	\$	10,584,919	

Marlette, Michigan

The City as a Whole - Continued

The City's combined net assets decreased 1% from \$10,584,919 to \$10,492,898. As we look at the governmental activities separately from the business-type (water & sewer) we can see that the governmental activities experienced a decrease of approximately \$48,311 during the year (a .85% decrease). The business-type activities (water & sewer) experienced a \$43,710 decrease in net assets (a .88% decrease).

The following table shows the changes of the net assets during the current year:

	Governemntal		Bus	siness-Type	Total		
		Activities	1	Acticities	2007/2008		
Revenues							
Program Revenues:							
Charges for Services	\$	596,342	\$	557,665	\$	1,154,007	
Operating Grants & Contrib's		244,677		-		244,677	
Capital Grants & Contrib's		42,127		-		42,127	
General Revenues:						-	
Property Taxes		806,511		-		806,511	
State-Shared Revenues		233,361		-		233,361	
Interest		43,526		9,084		52,610	
Other Revenues		53,134		119,341		172,475	
Transfers In		(34,050)		34,050		-	
Total Revenues		1,985,628		720,140		2,705,768	
Program Expenses							
General Government	\$	333,081	\$	_	\$	333,081	
Public Safety		416,203		-		416,203	
Public Works		1,004,145		-		1,004,145	
Recreation & Culture		100,358		-		100,358	
Interest on Long-Term Debt		180,143		12,613		192,756	
Water & Sewer		-		763,286		763,286	
Total Program Expenses		2,033,930		775,899		2,809,829	
Change in Net Assets	\$	(48,302)	\$	(55,759)	\$	(104,061)	

Marlette, Michigan

Economic Factors and Next Year's Budget and Rates

The City of Marlette's 2008/2009 adopted budget is as follows:

	General Fund						
	Ju	ne 30,					
	2009	2008					
Revenue							
Property Taxes	\$ 565,000	\$ 539,750					
Intergovernmental Revenue	281,500	246,200					
Charges for Services	111,000	145,150					
Grant Proceeds	4,500	-					
Loan Proceeds	-	-					
Other	34,600	31,500					
Total Revenue Collected	996,600	962,600					
Expenditures							
General Government	365,800	283,000					
Public Safety	412,975	403,500					
Public Works	130,475	165,375					
Recreation & Culture	81,525	92,600					
Capital Outlay	-	3,000					
Debt Service	-	-					
Transfers	-	-					
Total Expenditures	990,775	947,475					
Net Over/Under Budget	\$ 5,825	\$ 15,125					

Contacting the City

This report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the City office at the City Hall in Marlette, Michigan or by telephone at (989) 635-7448.

Steve Schaub City of Marlette, Manager

Statement of Net Assets (Deficit)
June 30, 2008

	Primary Government						
	Governmental	Business-type					
	Activities	Activities	Total				
<u>Assets</u>							
Cash & Cash Equivalents	\$ 1,049,173.94	\$ 256,079.42	\$ 1,305,253.36				
Accounts Receivable	108,749.00	62,893.00	171,642.00				
Prepaid Expenditures	13,538.11	4,338.73	17,876.84				
Due From Other Funds (Net)	10.53	-	10.53				
Capital Assets							
Nondepreciable Capital Assets	380,071.92	21,225.00	401,296.92				
Net Depreciable Capital Assets	12,564,577.67	4,794,786.85	17,359,364.52				
Restricted Cash - Bond Reserve		19,212.51	19,212.51				
Total Assets	14,116,121.17	5,158,535.51	19,274,656.68				
<u>Liabilities</u>							
Accounts Payable	75,430.00	29,096.83	104,526.83				
Accrued Interest Payable	160,651.60	4,050.00	164,701.60				
Current Portion of Long-Term Debt	256,724.40	24,456.00	281,180.40				
Noncurrent Liabilities:							
Long-Term Debt	8,000,613.00	242,784.55	8,243,397.55				
Total Liabilities	8,493,419.00	300,387.38	8,793,806.38				
Net Assets (Deficit)							
Invested in Capital Assets - Net of							
Related Debt	4,526,660.59	4,544,721.30	9,071,381.89				
Unrestricted	1,096,041.58	325,476.83	1,421,518.41				
Total Net Assets (Deficit)	\$ 5,622,702.17	\$ 4,870,198.13	\$ 10,492,900.30				

City of Marlette Statement of Activities

Statement of Activities
For the Year Ended June 30, 2008

Functions/Programs	Expenses	Charges for Services	Operating Grants & Contributions	Capital Grants &	Governmental	Primary Government Business-type		
	Expenses	O			Governmental	Pusiness trms	_	
	Expenses	Services	Contributions			business-type		
				Contributions	Activities	Activities	Totals	
Primary Government:								
Governmental Activities:								
General Government	\$ 333,081.38	\$ 158,362.34	\$ -	\$ -	\$ (174,719.04)	\$ -	\$ (174,719.04)	
Public Safety	416,203.73	10,339.00	-	=	(405,864.73)	-	(405,864.73)	
Public Works	1,004,144.57	415,037.93	244,677.43	42,127.05	(302,302.16)	-	(302,302.16)	
Recreation & Culture	100,358.39	12,602.85	-	-	(87,755.54)	-	(87,755.54)	
Interest on Long-Term Debt	180,143.32				(180,143.32)		(180,143.32)	
Total Governmental Activities	2,033,931.39	596,342.12	244,677.43	42,127.05	(1,150,784.79)	-	(1,150,784.79)	
Business-type Activities	763,285.96	557,664.66	_	_	_	(205,621.30)	(205,621.30)	
Interest on Long-Term Debt	12,613.25	-	-	-	-	(12,613.25)	(12,613.25)	
Total Business-type Activities	775,899.21	557,664.66				(218,234.55)	(218,234.55)	
Total Primary Government	\$ 2,797,217.35	\$ 1,154,006.78	\$ 244,677.43	\$ 42,127.05	\$ (1,150,784.79)	S (218,234.55)	\$ (1,369,019.34)	
	General Revenues:							
	Property Taxes				\$ 806,510.71	\$ -	\$ 806,510.71	
	State Shared Revenue	es			233,360.60	_	233,360.60	
	Interest				43,526.65	9,084.10	52,610.75	
	Other Revenues				53,133.64	119,341.24	172,474.88	
	Transfers				(34,050.00)	34,050.00	-	
		otal General Revenues, S	pecial Items & Transfers	s	1,102,481.60	162,475.34	1,264,956.94	
	Change in Net Assets				(48,303.19)	(55,759.21)	(104,062.40)	
	Net Assets (Deficit) - I	Beginning of Year			5,671,005.36	4,913,907.34	10,584,912.70	
	Net Assets (Deficit) - I				\$ 5,622,702.17	\$ 4,858,148.13	\$ 10,480,850.30	

City of Marlette Balance Sheet

Balance Sheet Governmental Funds June 30, 2008

				Major Special Revenue	Funds			Capital Project Fund		
	General Fund	Major Street	Local Street	Municipal Street	Downtown Development Authority	Local Development Finance Authority	Debt Service Fund	Waste Water Treatment Plant	Other Nonmajor Governmental Funds	Total Governmental Funds
Assets										
Cash & C of D's	\$ 75,043.47	\$ 145,896.51	\$ 61,821.68	\$ 137,572.54	\$ 173,822.77	\$ 109,888.44	\$ 259,151.26	\$ 472.86	\$ 21,646.34	\$ 985,315.87
Receivables:								=		
Accounts Receivable	-	-	-	-	-	-	38,834.00	-	-	38,834.00
Sales Tax	28,915.00	-	-	-	-	-	-	-	-	28,915.00
Bond Receivable	-	-	-	-	-	-	-	41,000.00	-	41,000.00
Prepaid Expenditures	11,776.64	-	-	-	-	-	-	-	-	11,776.64
Due from Other Funds	10.53			7,168.31	20,000.00	50,184.40				77,363.24
Total Assets	115,745.64	145,896.51	61,821.68	144,740.85	193,822.77	160,072.84	297,985.26	41,472.86	21,646.34	1,183,204.75
Liabilities & Fund Balance										
<u>Liabilities</u>										
Accounts Payable	17,644.89	-	-	-	-	-	-	41,472.86	-	59,117.75
Accrued Payroll	16,312.25	-	-	-	-	-	-	-	-	16,312.25
Due to Others	-	-	-	-	=	-	-	=	=	=
Due to Other Funds	69,168.31	-	-	-	-	-	-	-	-	69,168.31
Total Liabilities	103,125.45							41,472.86		144,598.31
Fund Balance										
Fund Balance										
Unreserved - Undesignated	12,620.19	145,896.51	61,821.68	144,740.85	193,822.77	160,072.84	297,985.26	=	21,646.34	1,038,606.44
Total Fund Balance	12,620.19	145,896.51	61,821.68	144,740.85	193,822.77	160,072.84	297,985.26	-	21,646.34	1,038,606.44
Total Liabilities & Fund Balance	\$ 115,745.64	\$ 145,896.51	\$ 61,821.68	\$ 144,740.85	\$ 193,822.77	\$ 160,072.84	\$ 297,985.26	\$ 41,472.86	\$ 21,646.34	\$ 1,183,204.75

Governmental Funds
Reconciliation of Fund Balances to the
Statement of Net Assets (Deficit)
For The Year Ended June 30, 2008

Total Fund Balances for Governmental Funds & Equipment Fund	\$ 1,299,153.36
Amounts reported for governmental activities in the statement of net assets (deficit) are different because:	
Capital Assets used in Governmental Activities are not financial resources and are not reported in the Funds	12,741,537.81
Accrued Interest Payable is not reported in the Funds	(160,651.60)
Long-term bonds payable are not due and payable in the current period and are not reported in the Funds	 (8,257,337.40)
Net Assets of Governmental Activities	\$ 5,622,702.17

Statement of Revenues, Expenditures, And Changes in Fund Balances Governmental Funds For The Year Ended June 30, 2008

Capital

			M	ajor Special Revenue	Funds			Project Fund		
Revenues	General	Major Street	Local Street	Municipal Street	Downtown Development Authority	Local Development Finance Authority	Debt Service Fund	Waste Water Treatment Plant	Other Nonmajor Governmental Funds	Total Governmental Funds
Property Taxes	\$ 503,646.53	\$ 35,143.14	\$ 51,253.45	\$ -	\$ 164,153.60	\$ 52,313.99	\$ -	\$ -	\$ -	\$ 806,510.71
Intergovernmental Revenues	233,360.60	131,778.37	36,997.28	75,901.78	-	-	_	_	_	478,038.03
Licenses, Permits, & Fines	13,375.19	-	-	-	_	_	_	_	_	13,375.19
Charges for Services/Capital Charges	77,629.87	_	_	_	_	_	346,872.06	_	5,512.25	430,014.18
Cemetery/Parks & Recreation	24,900.60	-	-	-	-	-	-	-	-	24,900.60
Interest Earnings	13,441.39	4,787.51	2,311.62	2,612.35	6,559.25	6,192.06	5,076.57	-	381.47	41,362.22
Loan Proceeds	-	-	, -	-	100,000.00	-	-	-	-	100,000.00
Grant Proceeds	-	-	-	_	-	-	-	-	42,127.05	42,127.05
Bond Proceeds	-	-	-	-	-	-	-	1,725,969.47	-	1,725,969.47
Donations & Contributions	-	-	-	-	-	-	=	=	25,902.90	25,902.90
Other Revenue	20,541.34	30.00			450.00		2,047.26			23,068.60
Total Revenues	886,895.52	171,739.02	90,562.35	78,514.13	271,162.85	58,506.05	353,995.89	1,725,969.47	73,923.67	3,711,268.95
Expenditures										
General Government	319,825.17	_	_	_	_	_	535.00	_	554.81	320,914.98
Public Safety	411,669.13	_	_	_	_	_	-	_	-	411,669.13
Public Works	143,612.47	61,645.18	47,063.53	_	59,447.76	42,814.32	_	_	45,234.71	399,817.97
Recreation & Culture	80,496.29	-	-	_	-	-	_	_	19,862.10	100,358.39
Capital Outlay	-	-	<u>-</u>	_	178,664.42	=	-	1,726,926.73		1,905,591.15
Debt Service - Principal	6,351.68	40,000.00	-	-	30,000.00	28,059.14	-		-	104,410.82
Debt Service - Interest	1,507.50	22,522.50	-	-	17,182.50	2,318.64	136,612.18	-	-	180,143.32
Total Expenditures	963,462.24	124,167.68	47,063.53	-	285,294.68	73,192.10	137,147.18	1,726,926.73	65,651.62	3,422,905.76
Excess Of Revenues Over (Under) Expenditures	(76,566.72)	47,571.34	43,498.82	78,514.13	(14,131.83)	(14,686.05)	216,848.71	(957.26)	8,272.05	288,363.19
Other Financing Sources (Uses) Operating Transfers In (Out)							(34,050.00)			(34,050.00)
Excess Of Revenues & Other Sources Over (Under) Expenditures & Other Uses	(76,566.72)	47,571.34	43,498.82	78,514.13	(14,131.83)	(14,686.05)	182,798.71	(957.26)	8,272.05	254,313.19
Fund Balance - Beginning of Year	89,186.91	98,325.17	18,322.86	66,226.72	207,954.60	174,758.89	115,186.55	957.26	13,374.29	784,293.25
Fund Balance - End of Year	\$ 12,620.19	\$ 145,896.51	\$ 61,821.68	\$ 144,740.85	\$ 193,822.77	\$ 160,072.84	\$ 297,985.26	\$ -	\$ 21,646.34	\$ 1,038,606.44

Governmental Funds
Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities
For The Year Ended June 30, 2008

Net Change in Fund Balances - Total Governmental Funds & Equipment Fund	\$ 232,903.01
Amounts reported for Governmental Activities in the Statement of Activities are different because:	
Governmental Funds report Capital Outlays as Expenditures; in the Statement of Activities, these costs are capitalized and allocated over their estimated useful lives as Depreciation	1,905,591.15
Repayment of Bond Principal is an Expenditure in the Governmental Funds, but not in the Statement of Activities (where it reduces Long-Term Debt)	104,410.82
Interest Expense is reported in the Statement of Activities when a Liability is incurred; they are reported in the Governmental Funds only when payment is due	(160,651.60)
Bond proceeds and loan proceeds are not reported as financing sources on the statement of activities	(1,825,969.47)
Depreciation is an Expenditure for the Statement of Activities, but is not reported in the Governmental Funds	(304,587.10)
Net Assets of Governmental Activities	\$ (48,303.19)

Statement of Net Assets (Deficit)
Proprietary Funds
June 30, 2008

	Enterpr	ise Fur	ıds		Totals	Internal Service
	Water		Sewer		Enterprise	 Fund
<u>Assets</u>	Fund		Fund		Funds	Equipment
<u>Current Assets</u>						
Cash	\$ 60,320.73	\$	195,758.69	\$	256,079.42	\$ 63,858.07
Accounts Receivable	23,474.00		39,419.00		62,893.00	-
Prepaid Expenditures	 2,605.84		1,732.89		4,338.73	1,761.47
Total Current Assets	 86,400.57		236,910.58		323,311.15	 65,619.54
Capital Assets						
Land	5,125.00		16,100.00		21,225.00	15,857.50
Equipment	-		-		-	685,074.85
Sewer System	-		7,019,909.69		7,019,909.69	-
Water System	 1,184,441.18				1,184,441.18	 -
Total Capital Assets	 1,189,566.18		7,036,009.69		8,225,575.87	 700,932.35
Less: Accumulated Depreciation	 501,544.99		2,908,019.03		3,409,564.02	 497,820.57
Net Capital Assets	688,021.19		4,127,990.66	_	4,816,011.85	203,111.78
Restricted Cash - Bond Reserve	 		19,212.51	_	19,212.51	
Total Assets	774,421.76		4,384,113.75		5,158,535.51	268,731.32
<u>Liabilities</u>						
Current Liabilities						
Accounts Payable	-		29,096.83		29,096.83	-
Accrued Interest Payable	-		4,050.00		4,050.00	-
Due To Other Funds	-		-		-	8,184.40
Current Portion of Long-Term Liabilities	 20,456.00		4,000.00		24,456.00	
Total Current Liabilities	20,456.00		37,146.83		57,602.83	8,184.40
Long-Term Liabilities Revenue Bonds, Contract Purchases, & Notes Payable Less: Current Portion of Long-Term Debt	87,240.55		180,000.00		267,240.55	-
Shown Above	 20,456.00		4,000.00		24,456.00	-
Total Liabilities	 87,240.55		213,146.83		300,387.38	 8,184.40
Net Assets						
Invested in Capital Assets Net of Related Debt	600,780.64		3,931,890.66		4,532,671.30	203,111.78
Unreserved Earnings	 86,400.57		239,076.26		325,476.83	 57,435.14
Total Net Assets	\$ 687,181.21	\$	4,170,966.92	\$	4,858,148.13	\$ 260,546.92

City of Marlette
Statement of Revenues, Expenses, And Changes in Net Assets
Proprietary Funds
June 30, 2008

	Entern	rise Funds	Total	Internal Service
	Water	Sewer	Enterprise	Fund
	Fund	Fund	Funds	Equipment
Operating Revenues				
Charges for Sales & Services	\$ 190,402.70	\$ 345,690.37	\$ 536,093.07	\$ 128,052.15
Penalties & Meter Fines	4,369.88	17,201.71	21,571.59	-
Total Operating Income	194,772.58	362,892.08	557,664.66	128,052.15
Operating Expenses				
Salaries, Wages, & Administration	66,138.39	37,676.57	103,814.96	49,734.17
Fringe Benefits/Payroll Taxes	41,072.75	27,397.56	68,470.31	20,159.55
Depreciation	27,411.54	137,453.02	164,864.56	36,994.99
Repairs & Maintenance	6,322.27	4,005.56	10,327.83	17,697.69
Chemicals & Supplies	10,342.52	5,016.59	15,359.11	20,908.23
Utilities & Telephone	14,368.47	-	14,368.47	5,813.65
Professional Services & Testing	2,212.55	500.00	2,712.55	250.00
Plant Supervision & Operation	-	336,574.64	336,574.64	-
Insurance & Bonds	650.00	7,461.66	8,111.66	3,865.33
Equipment Rental	19,561.13	13,147.24	32,708.37	-
Miscellaneous	4,467.35	1,506.15	5,973.50	365.29
Total Operating Expenses	192,546.97	570,738.99	763,285.96	155,788.90
Operating Income (Loss)	2,225.61	(207,846.91)	(205,621.30)	(27,736.75)
Non-Operating Revenues (Expenses)				
Interest Earned	1,330.80	7,753.30	9,084.10	2,164.43
Bond & Contract Interest	(4,513.25)	(8,100.00)	(12,613.25)	-
Interfund Transfers In (Out)	30,000.00	4,050.00	34,050.00	-
Reimbursements & Other Revenue	37,991.52	81,349.72	119,341.24	4,162.14
Change in Net Assets	67,034.68	(122,793.89)	(55,759.21)	(21,410.18)
Net Assets - Beginning of Year	620,146.53	4,293,760.81	4,913,907.34	281,957.10
Net Assets - End of Year	\$ 687,181.21	\$ 4,170,966.92	\$ 4,858,148.13	\$ 260,546.92

City of Marlette Statement of Cash Flows Proprietary Funds For The Year Ended June 30, 2008

		Enterprise Funds				Totals	Internal Service			
		Water Fund		Sewer Fund		Enterprise Funds		Fund		
Cash Flow From Operating Activities		Fund		Fund	-	Fullus		Equipment		
Receipts from Customers	\$	196,766.58	\$	366,222.08	\$	562,988.66	\$	128,052.15		
Payments for Operation, Maintenance, & Water	Ψ	(52,990.85)	Ψ	(356,453.70)	Ψ	(409,444.55)	Ψ	(46,431.04)		
Payments for General & Administration		(112,328.49)		(74,041.94)		(186,370.43)		(74,124.34)		
Tayments for General & Flammistation		(112,320.17)		(71,011.51)		(100,570.15)		(71,121.31)		
Net Cash Provided by Operating Activity		31,447.24		(64,273.56)		(32,826.32)		7,496.77		
Cash Flows from Noncapital Financing Activities										
Other Nonoperating Revenues		37,991.52		81,349.72		119,341.24		4,162.14		
Interfund Transfers		30,000.00		4,050.00		34,050.00		-		
Net Cash Provided by Noncapital Financing Activities		67,991.52		85,399.72		153,391.24		4,162.14		
Cash Flows from Capital & Related Financing Activities										
Interest Expense		(4,513.25)		(4,050.00)		(8,563.25)		-		
Receipt of Capital Contributions		-		-		-		-		
Increase (Decrease) in Long - Term Debt		(19,668.00)		-		(19,668.00)		-		
Increase in Restricted Assets		-		771.60		771.60				
Net Cash Provided by Capital & Related Financing Activities		(24,181.25)		(3,278.40)		(27,459.65)		-		
Cash Flows from Investing Activities										
Interest Received on Investments		1,330.80		6,981.70		8,312.50		2,164.43		
Net Cash Provided by Investing Activities		1,330.80		6,981.70		8,312.50		2,164.43		
Net Increase (Decrease) in Cash & Cash Equivalents		76,588.31		24,829.46		101,417.77		13,823.34		
Cash & Cash Equivalents - Beginning of Year		(16,267.58)		190,141.74		173,874.16		50,034.73		
Cash & Cash Equivalents - End of Year	\$	60,320.73	\$	214,971.20	\$	275,291.93		63,858.07		
Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities										
Operating Income (Loss)		2,225.61		(207,846.91)		(205,621.30)		(27,736.75)		
Adjustments to Reconcile Operating Income (Loss) from										
Operating Activities:										
Depreciation		27,411.54		137,453.02		164,864.56		36,994.99		
Changes in Assets & Liabilities:										
Receivables		1,994.00		3,330.00		5,324.00		-		
Accounts Payable		(183.91)		2,790.33		2,606.42		(1,761.47)		
Net Cash Provided by Operating Activities	\$	31,447.24	\$	(64,273.56)	\$	(32,826.32)	\$	7,496.77		

Statement of Net Assets (Deficit)
Fiduciary Funds
June 30, 2008

<u>Assets</u>	 Trust Fund	Agency Funds			
Cash & Certificate of Deposit	\$ 82,887.58	\$	10.53		
<u>Total Assets</u>	82,887.58	\$	10.53		
<u>Liabilities</u>					
Due To General Fund	-	\$	10.53		
Due To Other Governmental Agencies	 -				
<u>Total Liabilities</u>	 <u>-</u>	\$	10.53		
Net Assets					
Held in Trust for Cemetery Perpetual Care	72,048.14				
Unreserved - Undesignated	 10,839.44				
Total Net Assets	\$ 82,887.58				

Other Supplemental Information Statement of Changes in Net Assets Fiduciary Funds June 30, 2008

	Trust Fund
Additions	
Interest Income - Perpetual Care	\$ 4,199.16
Sale of Lots - Perpetual Care	240.00
Total Additions	4,439.16
<u>Deductions</u> Contribution To (From) Other Funds	
Total Deductions	
Net Increase	4,439.16
Net Assets - Beginning of Year	78,448.42
Net Assets - End of Year	\$ 82,887.58

Notes to the Financial Statements For The Year Ended June 30, 2008

The accounting methods and procedures adopted by the City of Marlette, Sanilac County, Michigan, conform to Generally Accepted Accounting Principles as applied to governmental entities. The following notes to the financial statements are an integral part of the City's Comprehensive Annual Financial Report.

1. Summary of Significant Accounting Policies

Financial Reporting Entity

The City of Marlette was incorporated under the laws of the State of Michigan and operates as a General Law City, with a City Council form of government. As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the City of Marlette (the primary government) and its component units. The component units discussed below are included in the City reporting entity because of the significance of their operational or financial relationships with the City.

Component Units - In accordance with generally accepted accounting principles, there are no component units of Government required to be included in the Financial Reporting Entity either as blended component units or discretely presented component units.

Blended Component Units - The Downtown Development Authority (DDA) of the City of Marlette, an entity legally separate from the City, is governed by an eight-member board appointed by the City Council. For financial reporting purposes, the DDA is reported as if it were part of the City's operations because its purpose is to finance and provide assistance to businesses and citizens within the DDA District of the City.

Government-wide and Fund Statements Fund

The Government-wide Financial Statements (i.e., the Statement of Net Assets (Deficit) and the Statement of Activities) report information on all the nonfiduciary activities of the City (the primary government). The effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function (governmental activities) or identifiable activity (business-type activities) are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or activity; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or activity. Taxes and other revenue items properly excluded from program revenues are reported as general revenue.

Separate financial statements are provided for governmental funds, and fiduciary funds, even though the latter are excluded from the Government-wide Financial Statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Notes to the Financial Statements For The Year Ended June 30, 2008

The City reports the following major governmental funds:

General Fund - The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Major Street Fund - The Major Streets Fund accounts for maintenance and improvement activities for streets designated as "major" within the City. Funding is provided primarily through State-shared gas and weight taxes.

Local Street Fund - The Local Streets Fund accounts for maintenance and improvement activities for streets designated as "local" within the City. Funding is provided primarily through State-shared gas and weight taxes.

Municipal Street Fund - The Municipal Street Fund is funded by a five-year, county-wide millage. Money received is to be used for maintenance and improvement of City streets.

Downtown Development Authority Fund (a Special Revenue Fund type) – The Downtown Development Authority's purpose is to finance and provide assistance to businesses and citizens within the DDA District of the City.

Local Development Finance Authority Fund – The LDFA captures increment taxes in the LDFA area. These captured taxes are to finance and provide assistance for the development of this given area.

Debt Service Fund – The Debt Service Fund accounts for all debt payments made regarding the various notes and bonds of the City.

Waste Water Treatment Plant Capital Project Fund – This fund is to account for the bond proceeds received and the construction of the WWTP Improvement Project.

The City reports the following major Enterprise Funds & Internal Service Fund:

Water Fund - The Water Fund accounts for the activities of the water distribution system. Funding is provided primarily through user charges.

Sewer Fund - The Sewer Fund accounts for the activities of the sewage disposal system. Fund is provided primarily through user charges.

Equipment Fund (Internal Service Fund) – This fund was established to account for the financing of goods or services provided by one department to other departments of the City on a cost-reimbursement basis.

Additionally, the City reports the following fund types:

Agency Funds - The Agency Funds account for assets held by the City in a trustee capacity or as an agent for individuals, organizations, or other governments.

Notes to the Financial Statements For The Year Ended June 30, 2008

Measurement Focus and Basis of Accounting

The Government-wide Financial Statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental Fund Financial Statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period in which they become susceptible to accrual - that is, when they become both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period, generally collected within 60 days of the end of the current fiscal period. Revenues susceptible to accrual include property taxes, intergovernmental revenues, special assessments, licenses, charges for services, and interest. All other revenue items are considered to be available only when cash is received by the City. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, and claims and judgments are recorded only when payment is due.

Cash - The City does not pool cash resources of its various funds to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the cash accounts is available to meet current operating requirements. Cash in excess of current requirements is invested in various interest-bearing securities and disclosed as part of the City's investments.

Investments - Debt securities are valued at cost since it is generally the policy of the City to hold such investments until they mature.

Due to and Due from Other Funds - Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed.

Property Tax Revenues - Property taxes are levied on December 1 based on the assessed value of property as listed on the previous December 31. Assessed values are an approximation of market value. A revaluation of all real property must be made every year.

Vacation, Sick Leave, and Other Compensated Absences - Vacation days are earned by employees at a rate from five to twenty-five days per year with unused days at year-end being forfeited. Sick days are earned by employees at a rate of ten days per year. Employees are paid half of the accumulated sick days at the end of each year. Sick days are not cumulative from year to year. The estimated maximum contingent liability for these benefits (calculated at current pay rates) as of June 30, 2008 is approximately \$29,604.

Inventories and Prepaid Items - Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both Government-wide and Fund Financial Statements.

Notes to the Financial Statements For The Year Ended June 30, 2008

Capital Assets - Capital assets, which include buildings and equipment, are reported in the applicable governmental column in the Government-wide Financial Statements. Capital assets are defined by the City as assets with an initial individual cost of more than \$1,500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Capital assets are depreciated using the straight-line method over the following useful lives:

Infrastructure	20 to 50 years
Buildings & Building Improvements	20 to 40 years
Machinery & Equipment	3 to 20 years

Long-Term Obligations - In the Government-wide Financial Statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net assets. Bond premiums and discounts, issuance costs, and the deferred amount on refunding are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount and deferred amount on refunding. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ form those estimates.

Accounting Changes

GASB Statement No. 34 – Effective July 1, 2003, the City implemented the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* (GASB No. 34). Changes to the City's financial statements as a result of GASB No. 34 are as follows:

- A management's discussion and analysis (MD&A) section providing analysis of the City's overall financial position and results of operations has been included.
- Government-wide Financial Statements (statement of net assets (deficit) and statement of activities) prepared
 using full accrual accounting for all of the City's activities have been provided.
- Capital assets in the governmental activities column of the statement of net assets (deficit) includes assets not previously accounted for by the City. In addition, the governmental activities column includes bonds and other long-term obligations previously reported in the General Long-term Debt Account Group.
- The fund financial statements focus on major funds rather that fund types.

Notes to the Financial Statements For The Year Ended June 30, 2008

2. Stewardship, Compliance, and Accountability

Budgetary Information - The City is legally subject to the budgetary control requirements of State of Michigan P.A. 621 of 1978 (the Uniform Budgeting Act). The following statements represent a brief synopsis of the major provisions of this Act:

- 1. Prior to July 1, the City Supervisor submits to the City Council a proposed operating budget for the fiscal year commencing July 1. The operating budget includes proposed expenditures and the means of financing them.
- 2. Public hearings are conducted to obtain taxpayer comments.
- 3. Prior July 1, the budget is legally enacted.
- 4. The budget is used by the City Council as a management tool during the year for all budgetary funds. The budgets are adopted on a cash basis which is not consistent with generally accepted accounting principles. Budgetary control is exercised at the departmental level.
- 5. Budget amounts are as originally adopted, and as amended by the City Council.

In the body of the financial statements, the City actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budget was adopted at the department level. Budgets for these funds are shown in the supplemental schedules to this statement.

During the year ended June 30, 2008, the City incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated, as follows:

	Total		A	mount of	Budget		
	App	propriations	Expenditures			Variance	
General Fund			_				
Council	\$	9,000	\$	12,093	\$	3,093	
Administration		27,575		29,498		1,923	
Professional Services		10,500		11,890		1,390	
Clerk		98,625		119,981		21,356	
Board of Review		600		694		94	
Cemetery		64,650		91,064		26,414	
Police Department		315,450		363,725		48,275	
Street Lighting		35,000		38,140		3,140	
Community Promotion		7,500		7,877		377	
Debt Service - Principal		-		6,352		6,352	
Debt Service - Interest		-		1,508		1,508	
Major Street Fund							
Snow & Ice		11,000		15,064		4,064	
Local Street Fund							
Snow & Ice		8,475		16,312		7,837	
Administration		8,900		11,235		2,335	
Local Development Finance Authority							
Salaries & Administration		29,950		42,814		12,864	
Downtown Development Authority Fund							
Administration & Maintenance		27,800		47,252		19,452	
Equipment Rental		8,000		12,195		4,195	
Capital Outlay		10,000		178,664		168,664	

Notes to the Financial Statements For The Year Ended June 30, 2008

3. Cash and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Local Unit to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The City Council has designated three banks for the deposit of City funds. There was no investment policy adopted by the council in accordance with Public Act 196 of 1997. The Council has authorized investment in bank accounts and CDs, but not the remainder of State statutory authority as listed above. The City's deposits are in accordance with statutory authority. All cash deposits and investments of the City are held by the City in the City's name.

At year end, the deposits and investments were reported in the basic financial statements in the following categories:

	overnmental Activities	Business-type Activities		duciary - Frust & ency Funds	G	Total Primary overnment
Cash & Cash Equivalents	\$ 1,049,174	\$	256,079	\$ 82,898	\$	1,388,151

The breakdown between deposits and investments is as follows:

	Primary		
	G	overnment	
Bank Deposits (Checking & Savings Accounts, CDs)	\$	1,388,151	

The bank balance of the primary government's deposits is \$1,388,151, of which \$272,149 is covered by federal depository insurance and \$-0- is collateralized with U.S. Treasury securities held by the pledging financial institution's trust department in the City's name.

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. At year end, the City had approximately \$1,116,002 of bank deposits (certificates of deposit, checking, and savings accounts) that were uninsured and uncollateralized. The City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the City evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The City's investment policy does not further limit its investment choices.

At year end, there were no deposits and investments reported in the basic financial statements with additional credit risk.

Notes to the Financial Statements For The Year Ended June 30, 2008

4. Capital Assets

Capital Assets activity of the City's governmental activities (and business-type) was as follows:

	Balance July 1, 2007		Additions		Disposals & Adjustments		Balance June 30, 2008		
Governmental Activities:									
Capital Assets not being Depreciated	\$	221,358	\$	158,714	\$	-	\$	380,072	
Capital Assets Being Depreciated:									
Infrastructure		1,085,015		19,950		-		1,104,965	
Buildings & Improvements		7,861,895		-		-		7,861,895	
Machinery & Equipment - General		93,128		-		-		93,128	
Equipment - Internal Service Fund		685,075						685,075	
Total Capital Assets being Depreciated		9,725,113		19,950		-		9,745,063	
Accumulated Depreciation:									
Infrastructure		54,322		22,838		-		77,160	
Buildings & Improvements		1,963,988		268,887		-		2,232,875	
Machinery & Equipment - General		39,723		12,863		-		52,586	
Equipment - Internal Service Fund		460,825		36,995				497,820	
Total Accumulated Depreciation		2,518,858		341,583		-		2,860,441	
Net Capital Assets being Depreciated	\$	7,206,255	\$	(321,633)	\$	_	\$	6,884,622	
Business-type Activities:									
Capital Assets not being Depreciated - Sewer	\$	16,100	\$	-	\$	-	\$	16,100	
Capital Assets not being Depreciated - Water		5,125		-		-		5,125	
Capital Assets Being Depreciated:									
Sewer Fund		7,019,910		-		-		7,019,910	
Water Fund		1,184,441		_		_		1,184,441	
Total Capital Assets being Depreciated		8,204,351		-		-		8,204,351	
Accumulated Depreciation:									
Sewer Fund		2,770,566		137,453		_		2,908,019	
Water Fund		474,134		27,412		_		501,546	
Total Accumulated Depreciation		3,244,700		164,865				3,409,565	
Net Capital Assets being Depreciated	\$	4,975,751	\$	(164,865)	\$		\$	4,794,786	

Depreciation expense was charged to programs of the primary government as follows:

Governmental Activities:	
General Government	\$ 12,914
Public Safety	4,535
Public Works	324,134
Total Governmental Activities	\$ 341,583
Business-type Activities:	
Sewer Fund	\$ 137,453
Water Fund	 27,412
Total Business-type Activities	\$ 164,865

Notes to the Financial Statements For The Year Ended June 30, 2008

5. Property Taxes

The City is responsible for assessing, collecting, and distributing property taxes in accordance with enabling state legislation. Property taxes become a lien on the first day of December of the levy year and might be paid by the following February 14.

Property taxes are recognized in compliance with NCGAI-3 which states that such revenue is recorded when it becomes measurable and available.

The City levied the following taxes:

General Government Services	14.0000	mills
Highway	2.5411	mills
General Operation	16.5411	mills

6. Due To/From Other Funds

As of June 30, 2008, interfund receivables and payables that resulted from various interfund transactions were as follows:

Due Fi Other F				Due To her Funds
General Fund	\$	11	Tax Account	\$ 11
LDFA Fund		42,000	General Fund	42,000
DDA Fund		20,000	General Fund	20,000
Municipal Streets Fund		7,168	General Fund	7,168
LDFA Fund		8,184	Equipment Fund	 8,184
Total	\$	77,363		\$ 77,363

Notes to the Financial Statements For The Year Ended June 30, 2008

7. Long Term Debt

Concead Of Chipsian Boach & Countests Carried Chips Carried Chipsis Carried		Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance		Additions (Reductions)		Ending Balance		Due Within One Year	
Concent Obligation Bonds & Contracts 2020 Irrestlatine Plurchase Contract for City / Township Building Amount of Issue - \$62,650 4.66% \$3.755 \$3.4800 \$6.0552 \$2.8454 \$6.059	Governmental Activities										
Maturing through 2012	General Obligation Bonds & Contracts										
Manning through 2012		vnship Building	¢2.000								
1999 Installment Purchase Contract for Eaclid & Sterling Street Improvis Amount of Issue \$10,000		4 46%		\$	34 806	\$	(6.352)	\$	28 454	\$	6 659
Maturing through 2003	Mataring unough 2012	4.4070	ψ3,733	Ψ	5-1,000	Ψ	(0,332)	Ψ	20,131	Ψ	0,057
1999 Installment Purchase Contract for 3394 S. Main Street Amount of Issue - \$64,500 \$33,303 \$33,033 \$40,000 \$42,5% \$33,829 \$16,969 \$7,333 \$9,636 \$7,577 \$2001 MT Transportation Fund Bonds Amount of Issue - \$700,000 \$40,0		Sterling Street Improv									
Manuaring through 2009	Maturing through 2003	4.25%	\$5,998	\$	25,182	\$	(11,553)	\$	13,629	\$	11,870
Maturing through 2009		Iain Street	\$3 303								
Amount of Issue - 5700,000		4.25%		\$	16,969	\$	(7,333)	\$	9,636	\$	7,577
Maturing through 2016			***								
1999 Installment Purchase Contract for 3391 S. Main Street		4.550/		ď	515 000	¢	(40,000)	¢	475 000	¢	45 000
Amount of Issue - \$80,000	Maturing through 2016	4.55%	\$65,000	Э	515,000	Þ	(40,000)	Э	475,000	Þ	45,000
Maturing through 2009		Iain Street	\$4.174								
2006 Waste Water Disposal Limited Tax General Amount of Issue - \$3,495,000 Maturing through 2028 2006 Waste Water Disposal Limited Tax General Amount of Issue - \$1,658,000 Maturing through 2028 3,48% \$103,000 \$1,000 Maturing through 2028 3,48% \$103,000 \$1,657,000 \$1,657,000 \$1,657,000 \$1,657,000 \$1,657,000 \$1,000 1999 Waste Water Disposal Limited Tax General Amount of Issue - \$1,068,000 Maturing through 2029 5,15% \$100,000 \$110,000 \$1,657,000 \$1,657,000 \$1,000 \$1,657,000 \$1,0		4.25%		\$	18,791	\$	(9.173)	\$	9,618	\$	9.618
Amount of Issue - \$1,495,000			+ 1,000	-	,	-	(>,=.=)	-	,,,,,	-	,,,,,
Maturing through 2028 3.48% \$250,000 \$ 3,495,000 \$ 2,149,000 \$ 5,644,000 \$ 35,000											
2006 Waste Water Disposal Limited Tax General Amount of Issue - \$1,658,000		2.400/		d	2 40 5 000		2 1 10 000		5 544 000		25.000
Amount of Issue - \$1,658,000	Maturing through 2028	3.48%	\$250,000	\$	3,495,000	\$	2,149,000	\$	5,644,000	\$	35,000
Amount of Issue - \$1,658,000	2006 Waste Water Disposal Limited Tax General										
1999 Waste Water Disposal Limited Tax General Amount of Issue - \$2,080,000			\$1,000 -								
Amount of Issue - \$2,080,000	Maturing through 2028	3.48%	\$103,000	\$	1,657,000	\$	-	\$	1,657,000	\$	1,000
Amount of Issue - \$2,080,000	1000 Wests Water Dismosal Limited Toy Consul										
Maturing through 2009 5.15% \$100,000 \$ 110,000 \$ - \$ 110,000 \$ 55,000		3 90% -	\$50,000 -								
Downtown Development Authority Obligations 2008 Land Contract - 2941 Main Street Property Amount of Issue - \$100,000 Maturing through 2010 7.00% \$50,000 \$ - \$ 100,000 \$ 100,000 \$ 50,000 \$ 1994 Down Development Bond Amount of Issue - \$450,000 6.70% - \$25,000 - Maturing through 2013 7.00% \$50,000 \$ 240,000 \$ (30,000) \$ 210,000 \$ 35,000 \$ 35,000 \$ (30,000) \$ 210,000 \$ 35,000 \$ (30,000)				\$	110,000	\$	-	\$	110,000	\$	55,000
2008 Land Contract - 2941 Main Street Property Amount of Issue - \$100,000 Maturing through 2010 Total Business-type Activities Some and Contract - 2941 Main Street Property Amount of Issue - \$100,000 \$ 100,000 \$ 100,000 \$ 100,000 \$ 100,000 \$ 100,000 \$ 100,000 \$ 100,000 \$ 210,000 \$ 350,000 \$ 35,000 \$ 35,000 \$ 35,000 \$ 35,000 \$ 35,000 \$ 35,000 \$ 36,112,748 \$ 2,144,589 \$ 8,257,337 \$ 256,724 Business-type Activities General Obligation Bonds & Contracts 2001 Purchase Contract for Water Main Installation Amount of Issue - \$194,000 \$ 18,060 -	-				,				,		,
Amount of Issue - \$100,000 Maturing through 2010 7.00% \$50,000 \$ - \$ 100,000 \$ 100,000 \$ 50,000 \$ 1994 Down Development Bond Amount of Issue - \$450,000 6.70% 550,000 \$ 240,000 \$ 30,000 \$ 210,000 \$ 35,000 \$ 35,000 \$ 240,000 \$ 210,000 \$ 35,000 \$ 35,000 \$ 210,000 \$ 35,000 \$ 3											
Maturing through 2010 7.00% \$50,000 \$ - \$ 100,000 \$ 50,000 1994 Down Development Bond Amount of Issue - \$450,000 6.70% - \$25,000 - \$ 240,000 \$ (30,000) \$ 210,000 \$ 35,000 Total Governmental Activities \$ 6,112,748 \$ 2,144,589 \$ 8,257,337 \$ 256,724 Business-type Activities General Obligation Bonds & Contracts 2001 Purchase Contract for Water Main Installation Amount of Issue - \$194,000 Maturing through 2011 \$ 18,060 - \$ 106,908 \$ (19,668) \$ 87,240 \$ 20,456 1994 Sewer Revenue Bonds Amount of Issue - \$210,000 Maturing through 2034 \$ 20,000 - \$ 180,000 \$ 180,000 \$ - \$ 180,000 \$ 4,000 Total Business-type Activities \$ 286,908 \$ (19,668) \$ 267,240 \$ 24,456											
1994 Down Development Bond Amount of Issue - \$450,000		7.00%	\$50,000	\$	_	\$	100 000	\$	100 000	\$	50,000
Amount of Issue - \$450,000	Maturing through 2010	7.0070	Ψ50,000	Ψ		Ψ	100,000	Ψ	100,000	Ψ	30,000
Maturing through 2013 7.00% \$50,000 \$ 240,000 \$ (30,000) \$ 210,000 \$ 35,000 Total Governmental Activities Business-type Activities General Obligation Bonds & Contracts 2001 Purchase Contract for Water Main Installation \$ 18,060 - \$ 106,908 \$ (19,668) \$ 87,240 \$ 20,456 Maturing through 2011 4.20% \$23,194 \$ 106,908 \$ (19,668) \$ 87,240 \$ 20,456 1994 Sewer Revenue Bonds Amount of Issue - \$210,000 \$ 2,000 - \$ 180,000 \$ - \$ 180,000 \$ 4,000 Maturing through 2034 4.50% \$ 10,000 \$ 180,000 \$ 267,240 \$ 24,456 Total Business-type Activities \$ 286,908 \$ (19,668) \$ 267,240 \$ 24,456	1994 Down Development Bond										
Total Governmental Activities							(20.000)		***		
Business-type Activities General Obligation Bonds & Contracts 2001 Purchase Contract for Water Main Installation Amount of Issue - \$194,000 Maturing through 2011 4.20% \$18,060 - \$23,194 \$106,908 \$(19,668) \$87,240 \$20,456 1994 Sewer Revenue Bonds Amount of Issue - \$210,000 Maturing through 2034 4.50% \$10,000 \$180,000 \$- \$180,000 \$- \$180,000 \$- \$180,000 \$- \$180,000 \$- \$180,000 \$- \$180,000 \$- \$24,456	Maturing through 2013	7.00%	\$50,000	\$	240,000	\$	(30,000)	\$	210,000	\$	35,000
General Obligation Bonds & Contracts 2001 Purchase Contract for Water Main Installation Amount of Issue - \$194,000 \$18,060 - Maturing through 2011 4.20% \$23,194 \$ 106,908 \$ (19,668) \$ 87,240 \$ 20,456 \$ 1994 Sewer Revenue Bonds Amount of Issue - \$210,000 \$2,000 - Maturing through 2034 4.50% \$10,000 \$ 180,000 \$ - \$ 180,000 \$ 4,000 \$ 10,000	Total Governmental Activities			\$	6,112,748	\$	2,144,589	\$	8,257,337	\$	256,724
General Obligation Bonds & Contracts 2001 Purchase Contract for Water Main Installation Amount of Issue - \$194,000 \$18,060 - Maturing through 2011 4.20% \$23,194 \$ 106,908 \$ (19,668) \$ 87,240 \$ 20,456 \$ 1994 Sewer Revenue Bonds Amount of Issue - \$210,000 \$2,000 - Maturing through 2034 4.50% \$10,000 \$ 180,000 \$ - \$ 180,000 \$ 4,000 \$ 10,000 \$ 10,000 \$ 26,000 \$ 10,000											
2001 Purchase Contract for Water Main Installation Amount of Issue - \$194,000											
Amount of Issue - \$194,000 Maturing through 2011 4.20% \$18,060 - \$23,194 \$106,908 \$(19,668) \$87,240 \$20,456 1994 Sewer Revenue Bonds Amount of Issue - \$210,000 Maturing through 2034 4.50% \$2,000 - \$180,000 \$180,000 \$180,000 \$180,000 \$267,240 \$24,456	=										
Maturing through 2011 4.20% \$23,194 \$ 106,908 \$ (19,668) \$ 87,240 \$ 20,456 1994 Sewer Revenue Bonds Amount of Issue - \$210,000 Maturing through 2034 \$2,000 - \$ 180,000 \$ - \$ 180,000 \$ 4,000 Total Business-type Activities \$ 286,908 \$ (19,668) \$ 267,240 \$ 24,456		on	¢10.000								
1994 Sewer Revenue Bonds Amount of Issue - \$210,000 Maturing through 2034 4.50% \$10,000 \$ 180,000 \$ - \$ 180,000 \$ 180,000 \$ 286,908 \$ (19,668) \$ 267,240 \$ 24,456		4.2004		¢	106 009	¢	(10.669)	¢	97 240	•	20.456
Amount of Issue - \$210,000 Maturing through 2034 4.50% \$10,000 \$180,000 \$- \$180,000 \$- \$180,000 \$4,000 \$4,000 Total Business-type Activities \$286,908 \$(19,668) \$267,240 \$24,456	Waturing through 2011	4.20%	\$23,194	Ф	100,906	φ	(19,008)	Ф	67,240	ф	20,430
Maturing through 2034 4.50% \$10,000 \$ 180,000 \$ - \$ 180,000 \$ 4,000 Total Business-type Activities \$ 286,908 \$ (19,668) \$ 267,240 \$ 24,456	1994 Sewer Revenue Bonds										
Total Business-type Activities \$ 286,908 \$ (19,668) \$ 267,240 \$ 24,456	Amount of Issue - \$210,000										
	Maturing through 2034	4.50%	\$10,000	\$	180,000	\$	-	\$	180,000	\$	4,000
Total \$ 6,399,656 \$ 2,124,921 \$ 8,524,577 \$ 281,180	Total Business-type Activities			\$	286,908	\$	(19,668)	\$	267,240	\$	24,456
	Total			\$	6,399,656	\$	2,124,921	\$	8,524,577	\$	281,180

Notes to the Financial Statements For The Year Ended June 30, 2008

Annual debt service requirements to maturity for the above governmental bond and contract obligations are as follows:

Fiscal Year	Governmental Activities						Business-type Activities							
End June 30,]	Principal		Interest		Total	F	Principal		Interest	Total			
2009	\$	256,724	\$	366,528	\$	623,252	\$	24,456	\$	11,825	\$	36,779		
2010		236,774		355,576		592,350		25,338		10,764		36,102		
2011		208,268		341,357		549,625		26,246		9,675		35,921		
2012		218,571		330,980		549,551		27,200		8,552		35,752		
2013		221,000		320,115		541,115		4,000		7,380		11,380		
2014-2018		888,000		1,463,614		2,351,614		20,000		34,200		54,200		
2019-2023		786,000		1,286,581		2,072,581		36,000		28,530		64,530		
2024-2028		918,000		1,100,661		2,018,661		40,000		19,800		59,800		
2029-2033		1,140,000		884,625		2,024,625		44,000		10,710		54,710		
2034-2038		1,169,000		640,982		1,809,982		20,000		1,350		21,350		
2039-2043		1,235,000		375,813		1,610,813		-		-		-		
2044-2047		980,000		107,188		1,087,188								
Total	\$	8,257,337	\$	7,574,020	\$	15,831,357	\$	267,240	\$	142,786	\$	410,524		

8. Deficit Fund Balance or Retained Earnings Balances of Individual Funds

The following funds had a deficit fund balance as of June 30, 2008:

None

9. Comparative Data

Comparative total data for the prior year have not been presented in the accompanying financial statements.

10. Post Employment Benefits

The City does not provide any post employment benefits other than the retirement benefits.

11. Risk Management

The City is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries, as well as medical and workman's compensation benefits provided to employees. The City has purchased commercial insurance for the various risks of loss stated above.

Settled claims for the commercial insurance have not exceeded the amount of coverage in any of the past three years. There was no reduction in coverage's obtained through commercial insurance during the past year.

Notes to the Financial Statements For The Year Ended June 30, 2008

12. Interfund Transfers In (Out)

During the year ended June 30, 2008 the City's interfund transfers were as follows:

	Operating Transfers Ou					
Water Fund Sewer Fund	\$ 30,000 4,050	Debt Service Fund Debt Service Fund	\$	30,000 4,050		
Total	\$ 34,050		\$	34,050		

13. City of Marlette Economic Development Corporation

The purpose of this organization is essentially to act in an agent capacity to obtain lower interest government bond financing for labor-oriented organizations in the community or coming into the community for the express purpose of alleviating and preventing conditions of unemployment. Economic Development Revenue Bonds outstanding as of June 30, 2008 were \$-0-. During this fiscal year ended June 30, 2008 minor expenditures of the City of Marlette Economic Development Corporation were absorbed by the General Fund of the reporting entity.

14. Pension Plan

Plan Description – The City participates in the Municipal Employees' Retirement System (MERS), an agent multiple-employer defined benefit pension plan that covers eligible employees of the City. The system provides retirement, disability, and death benefits to plan members and their beneficiaries. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system.

Funding Policy – The obligation to contribute to and maintain the system for these employees was established by negotiation with the City's competitive bargaining units and required a contribution from the employees of five percent for the first year only, thereafter the employee match has been removed.

Annual Pension Cost – For the year ended June 30, 2008, the City's annual pension cost of \$64,502 for the plan was equal to the required and actual contribution. The City has a B-3 level of benefit provisions. The annual required contribution was determined as part of an actuarial valuation at December 31, 2007, using the entry age normal cost method. Significant actuarial assumptions used include: (i) an 8 percent investment rate of return; (ii) projected salary increase of 4.5 percent per year; and (iii) 4.5 percent per year cost of living adjustments. Both determined using techniques that smooth the effects of short-term volatility. The unfunded actuarial liability is being amortized as a level of percent of payroll contributions over a period of 28 years.

Notes to the Financial Statements For The Year Ended June 30, 2008

14. Pension Plan - continued

Three year trend information as of December 31, 2007 (date of actuaries) follows:

	December 31,							
		2007		2006		2005		
Annual Pension Cost	\$	182,980	\$	85,350	\$	N/A		
Percentage of APC Contributed		100.0%		100.0%		N/A		
Net Pension Obligation		-		-		N/A		
Actuarial Value of Assets		755,657		639,914		N/A		
Actuarial Accrued Liability		1,455,807		1,135,218		N/A		
Unfunded Actuarial Accrued Liability		700,150		495,304		N/A		
Funded Ratio		52%		56%		N/A		
Covered Payroll		492,768		430,928		N/A		
UAAL as a Percentage of Covered Payroll		143%		116%		N/A		

15. Deferred Compensation

The City offers its employees a deferred compensation plan created in accordance with IRC Section 457. The assets of the plan were held in trust, as described in IRC Section 457(g) for the exclusive benefit of the participants and their beneficiaries. The custodian thereof of the exclusive benefit of the participants holds the custodial account for the beneficiaries of this Section 457 plan, and the assets may not be diverted to any other use. The Administrators are agents of the employer for purposes of providing direction to the custodian of the custodial account from time to time for the investment of the funds held in the account, transfer of assets to or from the account and all other matters. In accordance with the provisions of GASB Statement 32, plan balances and activities are not reflected in the City's financial statements.

16. Contingencies

- 1) The City of Marlette and Marlette Township have guaranteed the Marlette Community Fire Department real estate mortgage dated December 22, 1999. The real estate mortgage was used to purchase commercial property and construct a fire hall for the storage of fire equipment. As of June 30, 2008, the outstanding balance of the real estate mortgage is in the amount of \$435,283.
 - The City of Marlette and Marlette Township have guaranteed the Marlette Community Fire Department commercial promissory note dated December 7, 2001. The promissory note was used to purchase a fire department ladder truck. As of June 30, 2008, the outstanding balance of the promissory note is in the amount of \$15,074.
- 2) The City of Marlette entered into an agreement with the Michigan Department of Transportation. The City received a grant in the amount of \$320,000 for the purpose of restoring the historic Train Depot in Marlette. The City agreed to provide a local match of \$80,000. This match money is to be provided by the Marlette Historical Society. The Historical Society is liable for the balance of the match money and the City will be responsible to properly maintain the Depot in such a manner as to preserve the historical integrity of the features, materials, appearance, workmanship, and environment from the date of the agreement forward. Should the City not preserve the historical integrity of the Depot, the City would be required to repay the grant in full.

Required Supplemental Information

Required Supplemental Information Budgetary Comparison Schedule General Fund For The Year Ended June 30, 2008

							Variance with
	Original			Amended			Amended
		Budget		Budget	 Actual		Budget
Revenues							
Property Taxes	\$	539,750.00	\$	539,750.00	\$ 503,646.53		(36,103.47)
Intergovernmental Revenues		246,200.00		246,200.00	233,360.60		(12,839.40)
Licenses, Permits, & Fines		21,750.00		21,750.00	13,375.19		(8,374.81)
Cemetery		25,500.00		25,500.00	16,935.00		(8,565.00)
Park & Recreation		19,150.00		19,150.00	7,965.60		(11,184.40)
Charges for Services							
Rubbish Collection		68,000.00		68,000.00	67,290.87		(709.13)
Fire Calls / Protection		10,000.00		10,000.00	9,750.00		(250.00)
Other Charges for Services		750.00		750.00	589.00		(161.00)
Interest Earnings		5,750.00		5,750.00	13,441.39		7,691.39
Other Revenue	_	25,750.00	_	25,750.00	 20,541.34	_	(5,208.66)
Total Revenues	\$	962,600.00	\$	962,600.00	\$ 886,895.52	\$	(75,704.48)

Required Supplemental Information Budgetary Comparison Schedule General Fund For The Year Ended June 30, 2008

Expenditures	Original Budget	Amended Budget	Actual	Variance with Amended Budget		
<u>Expenditures</u> Legislative						
Council	\$ 9,000.00	\$ 9,000.00	\$ 12,092.75	\$ (3,092.75)		
General Government						
Administration	27,575.00	27,575.00	29,498.04	(1,923.04)		
Elections	4,100.00	4,100.00	731.32	3,368.68		
Professional Services	10,500.00	10,500.00	11,890.19	(1,390.19)		
Assessor	12,500.00	12,500.00	10,565.02	1,934.98		
Clerk	98,625.00	98,625.00	119,981.33	(21,356.33)		
Board of Review	600.00	600.00	693.81	(93.81)		
Treasurer	21,700.00	21,700.00	15,493.69	6,206.31		
Building & Grounds	33,750.00	33,750.00	27,815.13	5,934.87		
Cemetery	64,650.00	64,650.00	91,063.89	(26,413.89)		
Total General Government	274,000.00	274,000.00	307,732.42	(33,732.42)		
Public Safety						
Police Department	315,450.00	315,450.00	363,724.64	(48,274.64)		
Fire Department	60,000.00	60,000.00	47,787.19	12,212.81		
Planning Commission	27,550.00	27,550.00	60.00	27,490.00		
Zoning Board of Appeals	500.00	500.00	97.30	402.70		
Total Public Safety	403,500.00	403,500.00	411,669.13	(8,169.13)		
Public Works						
Sidewalks	20,900.00	20,900.00	6,585.34	14,314.66		
Wellhead Protection	1,375.00	1,375.00	=	1,375.00		
Refuse Collection	108,100.00	108,100.00	98,887.55	9,212.45		
Street Lighting	35,000.00	35,000.00	38,139.58	(3,139.58)		
Total Public Works	165,375.00	165,375.00	143,612.47	21,762.53		
Recreation & Culture						
Parks & Recreation	85,100.00	85,100.00	72,619.57	12,480.43		
Community Promotion	7,500.00	7,500.00	7,876.72	(376.72)		
Total Cemetery, Parks, & Recreation	92,600.00	92,600.00	80,496.29	12,103.71		
Capital Outlay	3,000.00	3,000.00		3,000.00		
Debt Service - Principal	5,000.00	5,000.00	6,351.68	(6,351.68)		
- Interest	-	-	1,507.50	(1,507.50)		
Total Expenditures	947,475.00	947,475.00	963,462.24	(15,987.24)		
Excess of Revenues Over (Under) Expenditures	15,125.00	15,125.00	(76,566.72)	(91,691.72)		
Other Financing Sources (Uses)						
Operating Transfers In (Out)						
Excess of Revenues & Other Sources Over (Under)						
Expenditures & Other Uses	15,125.00	15,125.00	(76,566.72)	(91,691.72)		
Fund Balance - Beginning of Year			89,186.91	89,186.91		
Fund Balance - End of Year	\$ 15,125.00	\$ 15,125.00	\$ 12,620.19	\$ (2,504.81)		

Required Supplemental Information Budgetary Comparison Schedule Major Special Revenue Funds For The Year Ended June 30, 2008

		Major Street Fund							Local Street Fund							
		Original Budget		Amended Budget	Actual		Variance with Amended Budget		Original Budget		Amended Budget			Actual		Variance with Amended Budget
Revenues																
Property Taxes	\$	37,200.00	\$	37,200.00	\$	35,143.14	\$	(2,056.86)	\$	55,000.00	\$	55,000.00	\$	51,253.45	\$	(3,746.55)
State Shared Revenue - Gas & Weight Tax		115,000.00		115,000.00		111,282.21		(3,717.79)		38,000.00		38,000.00		35,743.73		(2,256.27)
State Truck Line Maintenance		12,500.00		12,500.00		16,592.37		4,092.37		-		-		-		-
Build MI Local Roads Program		500.00		500.00		3,903.79		3,403.79		1,000.00		1,000.00		1,253.55		253.55
Interest Income		1,000.00		1,000.00		4,787.51		3,787.51		500.00		500.00		2,311.62		1,811.62
Miscellaneous		-				30.00		30.00		-		-		-		-
<u>Total Revenues</u>		166,200.00		166,200.00		171,739.02		5,539.02		94,500.00		94,500.00		90,562.35		(3,937.65)
Expenditures																
Routine Maintenance		49,400.00		49,400.00		17,736.17		31,663.83		38,600.00		38,600.00		16,953.10		21,646.90
Snow & Ice Removal		11,000.00		11,000.00		15,063.59		(4,063.59)		8,475.00		8,475.00		16,311.81		(7,836.81)
Traffic Services		2,325.00		2,325.00		607.49		1,717.51		2,375.00		2,375.00		452.03		1,922.97
Street Sweeping		5,325.00		5,325.00		1,881.44		3,443.56		5,500.00		5,500.00		2,111.79		3,388.21
Trunk Line Maintenance		14,100.00		14,100.00		13,461.85		638.15		-		-		-		-
Administration		13,300.00		13,300.00		12,894.64		405.36		8,900.00		8,900.00		11,234.80		(2,334.80)
Capital Outlay		-		-		-		-		140,000.00		140,000.00		-		140,000.00
Debt Service - Principal		40,000.00		40,000.00		40,000.00		-		-		-		-		-
Debt Service - Interest		24,000.00		24,000.00		22,522.50		1,477.50		-		-		-		-
Total Expenditures		159,450.00		159,450.00		124,167.68		35,282.32		203,850.00		203,850.00		47,063.53		156,786.47
Excess of Revenues Over (Under) Expenditure	es															
Other Financing Sources (Uses) Operating		6,750.00		6,750.00		47,571.34		40,821.34		(109,350.00)		(109,350.00)		43,498.82		152,848.82
Other Financing Sources (Uses) Operating Transfers In (Out)				-		-		<u>-</u>				<u>-</u>		<u>-</u>		<u> </u>
Excess of Revenues & Other Sources Over (Under) Expenditures & Other Uses		6,750.00		6,750.00		47,571.34		40,821.34		(109,350.00)		(109,350.00)		43,498.82		152,848.82
Fund Balance - Beginning of Year				-		98,325.17		98,325.17		_		-		18,322.86		18,322.86
Fund Balance - End of Year	\$	6,750.00	\$	6,750.00	\$	145,896.51	\$	139,146.51	\$	(109,350.00)	\$	(109,350.00)	\$	61,821.68	\$	171,171.68

Required Supplemental Information Budgetary Comparison Schedule Municipal Street Fund For The Year Ended June 30, 2008

		Original Budget		Amended Budget		Actual		Variance with Amended Budget
Revenues Intergovernmental Revenues	\$	68,000.00	\$	68,000.00	\$	75,901.78	\$	7,901.78
Interest Earnings	φ	1,200.00	φ 	1,200.00	φ 	2,612.35	φ	1,412.35
<u>Total Revenues</u>		69,200.00		69,200.00		78,514.13		9,314.13
Expenditures								
Salaries & Fringes		-		-		-		-
Capital Outlay		_				_		
Total Expenditures						-		
Excess of Revenues Over (Under) Expenditure Other Financing Sources (Uses) Operating	<u>s</u>	69,200.00		69,200.00		78,514.13		9,314.13
Other Financing Sources (Uses) Operating Transfers In (Out)				<u>-</u>	_			
Excess of Revenues & Other Sources Over (Under) Expenditures & Other Uses		69,200.00		69,200.00		78,514.13		9,314.13
Fund Balance - Beginning of Year						66,226.72		66,226.72
Fund Balance - End of Year	\$	69,200.00	\$	69,200.00	\$	144,740.85	\$	75,540.85

Required Supplemental Information Budgetary Comparison Schedule Local Development Finance Authority Fund For The Year Ended June 30, 2008

		Original Budget		Amended Budget		Actual	Variance with Amended Budget		
Revenues									
Property Taxes	\$	35,000.00	\$	35,000.00	\$ 52,313.99		\$	17,313.99	
Interest Earnings		750.00		750.00		6,192.06		5,442.06	
Other Revenue		-		-		-		-	
<u>Total Revenues</u>		35,750.00		35,750.00		58,506.05		22,756.05	
Expenditures Salaries & Administration Capital Outlay Debt Service - Principal Debt Service - Interest Total Expenditures	_	29,950.00 1,000.00 28,637.00 2,363.00 61,950.00	_	29,950.00 1,000.00 28,637.00 2,363.00 61,950.00		42,814.32 - 28,059.14 2,318.64 73,192.10		(12,864.32) 1,000.00 577.86 44.36 (11,242.10)	
Excess of Revenues Over (Under) Expenditures		(26,200.00)		(26,200.00)		(14,686.05)		11,513.95	
Other Financing Sources (Uses) Operating Transfers In (Out)		<u>-</u>		<u>-</u>		<u>-</u>		<u>-</u>	
Excess of Revenues & Other Sources Over (Under) Expenditures & Other Uses		(26,200.00)		(26,200.00)		(14,686.05)		11,513.95	
Fund Balance - Beginning of Year						174,758.89		174,758.89	
Fund Balance - End of Year	\$	(26,200.00)	\$	(26,200.00)	\$	160,072.84	\$	186,272.84	

Required Supplemental Information Budgetary Comparison Schedule Downtown Development Authority Fund For The Year Ended June 30, 2008

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenues				
Property Taxes	\$ 120,000.00	\$ 120,000.00	\$ 164,153.60	\$ 44,153.60
Loan Proceeds	-	-	100,000.00	100,000.00
Interest Income	1,000.00	1,000.00	6,559.25	5,559.25
Other Revenue			450.00	450.00
<u>Total Revenues</u>	121,000.00	121,000.00	271,162.85	150,162.85
Expenditures				
Administration & Maintenance	27,800.00	27,800.00	47,252.27	(19,452.27)
Equipment Rent - Interdepartment	8,000.00	8,000.00	12,195.49	(4,195.49)
Capital Outlay	10,000.00	10,000.00	178,664.42	(168,664.42)
Debt Service - Principal	30,000.00	30,000.00	30,000.00	· · · · · · · · · · · · · · · · · · ·
Debt Service - Interest	20,000.00	20,000.00	17,182.50	2,817.50
Total Expenditures	95,800.00	95,800.00	285,294.68	(189,494.68)
Excess of Revenues Over (Under) Expenditures Other Financing Sources (Uses) Operating	25,200.00	25,200.00	(14,131.83)	(189,494.68)
Other Financing Sources (Uses) Operating Transfers In (Out)				
Excess of Revenues & Other Sources Over (Under) Expenditures & Other Uses	25,200.00	25,200.00	(14,131.83)	(189,494.68)
Fund Balance - Beginning of Year			207,954.60	207,954.60
Fund Balance - End of Year	\$ 25,200.00	\$ 25,200.00	\$ 193,822.77	\$ 18,459.92

Required Supplemental Information Budgetary Comparison Schedule Debt Service Fund For The Year Ended June 30, 2008

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenues				
Bond Recovery Fees	\$ 350,000.00	\$ 350,000.00	\$ 346,872.06	\$ (3,127.94)
Interest Earnings Other Revenue	2,500.00	2,500.00	5,076.57 2,047.26	2,576.57 2,047.26
Other Revenue			2,047.20	2,047.20
<u>Total Revenues</u>	352,500.00	352,500.00	353,995.89	1,495.89
Expenditures				
Miscellaneous Fees	1,000.00	1,000.00	535.00	465.00
Debt Service - Principal	91,000.00	91,000.00	-	91,000.00
Debt Service - Interest	223,000.00	223,000.00	136,612.18	86,387.82
Total Expenditures	315,000.00	315,000.00	137,147.18	177,852.82
Excess of Revenues Over (Under) Expenditures Other Financing Sources (Uses) Operating	37,500.00	37,500.00	216,848.71	179,348.71
Other Financing Sources (Uses) Operating Transfers In (Out)	(35,000.00)	(35,000.00)	(34,050.00)	950.00
Excess of Revenues & Other Sources Over (Under) Expenditures & Other Uses	2,500.00	2,500.00	182,798.71	180,298.71
Fund Balance - Beginning of Year			115,186.55	115,186.55
Fund Balance - End of Year	\$ 2,500.00	\$ 2,500.00	\$ 297,985.26	\$ 295,485.26

Required Supplemental Information Budgetary Comparison Schedule Waste Water Treatment Plant Capital Project Fund For The Year Ended June 30, 2008

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenues				
Bond Proceeds	\$ 2,800,000.00	\$ 2,800,000.00	\$ 1,725,969.47	\$ (1,074,030.53)
Miscellaneous Revenues				
Total Revenues	2,800,000.00	2,800,000.00	1,725,969.47	(1,074,030.53)
Expenditures Miscellaneous Capital Outlay - Construction in Progress	2,780,000.00	2,780,000.00	1,726,926.73	1,053,073.27
<u>Total Expenditures</u>	2,780,000.00	2,780,000.00	1,726,926.73	1,053,073.27
Excess of Revenues Over (Under) Expenditures Other Financing Sources (Uses) Operating	20,000.00	20,000.00	(957.26)	(20,957.26)
Other Financing Sources (Uses) Operating Transfers In (Out)	<u>-</u>	<u> </u>		<u> </u>
Excess of Revenues & Other Sources Over (Under) Expenditures & Other Uses	20,000.00	20,000.00	(957.26)	(20,957.26)
Fund Balance - Beginning of Year			957.26	957.26
Fund Balance - End of Year	\$ 20,000.00	\$ 20,000.00	\$ -	\$ (20,000.00)

Other Supplemental Information

Other Supplemental Information Combining Balance Sheet Nonmajor Governmental Funds June 30, 2008

			Special 1	Revenue Funds				pital ct Fund	
	Country Fair Days Fund			Chamber Enterprise Fund		Cemetery Memorial Chapel Fund	Train Depot Restoration		Total Nonmajor overnmental Funds
Assets									
Cash & Cash Equivalents	\$	3,502.55	\$	12,957.40	\$	5,186.39	\$	-	\$ 21,646.34
Due From Other Funds		-		-		-			 -
Total Assets	\$	3,502.55	\$	12,957.40	\$	5,186.39	\$	<u>-</u>	\$ 21,646.34
<u>Liabilities</u>									
Accounts Payable	\$	-	\$	-	\$	-	\$	-	\$ -
Due To Other Funds				-		<u>-</u>		<u>-</u>	
Total Liabilities									
Fund Balances									
Fund Balances - Unreserved		3,502.55		12,957.40		5,186.39			 21,646.34
Total Liab. & Fund Balances	\$	3,502.55	\$	12,957.40	\$	5,186.39	\$		\$ 21,646.34

Other Supplemental Information Combining Statement of Revenues, Expenditures And Changes in Fund Balances - Nonmajor Governmental Funds For The Year Ended June 30, 2008

		Special	Revenue Funds		Capital oject Fund	
<u>Revenues</u>	Country air Days Fund		Chamber Enterprise Fund	Cemetery Memorial Chapel Fund	Train Depot estoration	Total Nonmajor overnmental Funds
Charges for Services	\$ 4,637.25	\$	875.00	\$ -	\$ -	\$ 5,512.25
Donations	8,847.39		14,676.51	2,379.00	-	25,902.90
Grant Proceeds	-		-	-	42,127.05	42,127.05
Interest Earnings	215.32		-	166.15	-	381.47
Other Revenues				 -	 -	
Total Revenues	13,699.96		15,551.51	 2,545.15	42,127.05	73,923.67
<u>Expenditures</u>						
General Government	-		-	554.81	-	554.81
Public Works	-		2,594.11	-	42,640.60	45,234.71
Recreation & Culture	 19,862.10			 _	 	 19,862.10
<u>Total Expenditures</u>	 19,862.10	-	2,594.11	 554.81	 42,640.60	 65,651.62
Excess of Revenues Over (Under)						
Expenditures	(6,162.14)		12,957.40	1,990.34	(513.55)	8,272.05
Other Financing Sources (Uses) Transfers In (Out)	 		<u>-</u>	 	 <u>-</u>	
Net Change in Fund Balances	(6,162.14)		12,957.40	1,990.34	(513.55)	8,272.05
Fund Balances - Beginning of Year	 9,664.69			 3,196.05	 513.55	 13,374.29
Fund Balances - End of Year	\$ 3,502.55	\$	12,957.40	\$ 5,186.39	\$ -	\$ 21,646.34

Other Supplemental Information Combining Statement of Net Assets Fiduciary Funds June 30, 2008

	Pension & Other Trust Funds					Agency Funds						
		Cemetery Perpetual Care Expendable Nonexpendable Trust Trust				Payroll		Ca	Tax ollection			
	E			•		Totals		Agency Fund		Fund	1	Γotals
<u>Assets</u>												
Cash & Certificate of Deposit	\$	10,839.44	\$	72,048.14	\$	82,887.58	\$	-	\$	10.53	\$	10.53
Total Assets		10,839.44		72,048.14		82,887.58		-		10.53		10.53
Liabilities & Fund Balance												
<u>Liabilities</u>												
Due To General Fund		-		-		-		-		10.53		10.53
Due To Other Governmental Agencies		-				-		-		-		-
Total Liabilities							\$	-	\$	10.53	\$	10.53
Net Assets												
Held in Trust for Cemetery Perpetual Care		-		72,048.14		72,048.14						
Unreserved - Undesignated		10,839.44	1	-		10,839.44						
Total Liabilities & Net Assets	\$	10,839.44	\$	72,048.14	\$	82,887.58						

Other Supplemental Information Combining Statement of Changes in Net Assets Fiduciary Funds June 30, 2008

Pension & Other Trust Funds

	Cemetery Pe	erpetual Care	
	Expendable	Nonexpendable	
	Trust	Trust	Totals
Additions			
Interest Income - Perpetual Care	\$ 4,199.16	\$ -	\$ 4,199.16
Sale of Lots - Perpetual Care		240.00	240.00
<u>Total Additions</u>	4,199.16	240.00	4,439.16
D. L. C.			
Deductions Contribution To (From) Other Funds			
Contribution 10 (From) Other Funds			
<u>Total Deductions</u>		<u>-</u>	
N.4 Iv.	4 100 17	240.00	4 420 16
Net Increase	4,199.16	240.00	4,439.16
Net Assets Designing of Very	C (40.30	71 000 14	70 440 40
Net Assets - Beginning of Year	6,640.28	71,808.14	78,448.42
Net Assets - End of Year	\$ 10,839.44	\$ 72,048.14	\$ 82,887.58

Other Supplemental Information Schedule of Indebtedness June 30, 2008

General Obligation Bonds / Installment Contracts

2006 General Obligation Limited Tax Bond

Obligation Refunding Bonds - 2006 Series Dated October 11, 2006 Interest Payable July 1, and January 1, Authorized Issue \$1,658,000

		Principal (
•	Date	T 20	Y 20	Remaining
Interest	of	June 30,	June 30,	Interest
Rate	Maturity	2008	2007	Payable
4.375%	07/01/08	\$ 1,000	\$ 1,000	\$ 36,247
4.375%	01/01/09	-	-	36,225
4.375%	07/01/09	1,000	1,000	36,225
4.375%	01/01/10	-	-	36,203
4.375%	07/01/10	61,000	61,000	36,203
4.375%	01/01/11	-	-	34,869
4.375%	07/01/11	66,000	66,000	34,869
4.375%	01/01/12	-	-	33,425
4.375%	07/01/12	71,000	71,000	33,425
4.375%	01/01/13	-	-	31,872
4.375%	07/01/13	76,000	76,000	31,872
4.375%	01/01/14	-	-	30,209
4.375%	07/01/14	71,000	71,000	30,209
4.375%	01/01/15	-	-	28,656
4.375%	07/01/15	76,000	76,000	28,656
4.375%	01/01/16	-	-	26,994
4.375%	07/01/16	80,000	80,000	26,994
4.375%	01/01/17	-	-	25,244
4.375%	07/01/17	85,000	85,000	25,244
4.375%	01/01/18	,	,	23,384
4.375%	07/01/18	90,000	90,000	23,384
4.375%	01/01/19	-	-	21,416
4.375%	07/01/19	95,000	95,000	21,416
4.375%	01/01/20	-	-	19,338
4.375%	07/01/20	94,000	94,000	19,338
4.375%	01/01/21	=	-	17,281
4.375%	07/01/21	99,000	99,000	17,281
4.375%	01/01/22	-	-	15,116
4.375%	07/01/22	103,000	103,000	15,116
4.375%	01/01/23	-	· -	12,863
4.375%	07/01/23	103,000	103,000	12,863
4.375%	01/01/24	-	-	10,609
4.375%	07/01/24	97,000	97,000	10,609
4.375%	01/01/25			8,488
4.375%	07/01/25	97,000	97,000	8,488
4.375%	01/01/26	-	-	6,365
4.375%	07/01/26	96,000	96,000	6,365
4.375%	01/01/27	-	-	4,265
4.375%	07/01/27	95,000	95,000	4,265
4.375%	01/01/28	-	-	2,187
4.375%	07/01/28	100,000	100,000	2,187
Total - 2006 Waste Water Disposal Bonds		\$ 1,657,000	\$ 1,657,000	\$ 886,265

Other Supplemental Information Schedule of Indebtedness June 30, 2008

General Obligation Bonds / Installment Contracts

2006 General Obligation Limited Tax Bond

Total - 2006 Waste Water

Obligation Refunding Bonds - 2006 Series Dated October 11, 2006 Interest Payable July 1, and January 1, Authorized Issue \$5,679,000

	.		Principal (Outstandir	ng	_	
Interest Rate	Date of Maturity	June 30, 2008		J	une 30, 2007	1	emaining Interest Payable
4.375%	07/01/08	\$	35,000	\$	35,000	\$	246,92
4.375%	07/01/09		35,000		35,000		245,39
4.375%	07/01/10		50,000		50,000		243,86
4.375%	07/01/11		50,000		50,000		241,67
4.375%	07/01/12		50,000		50,000		239,48
4.375%	07/01/13		50,000		50,000		237,30
4.375%	07/01/14		50,000		50,000		235,11
4.375%	07/01/15		55,000		55,000		232,92
4.375%	07/01/16		55,000		55,000		230,51
4.375%	07/01/17		55,000		55,000		228,11
4.375%	07/01/18		55,000		55,000		225,70
4.375%	07/01/19		55,000		55,000		223,30
4.375%	07/01/20		55,000		55,000		220,89
4.375%	07/01/21		65,000		65,000		218,48
4.375%	07/01/22		75,000		75,000		215,64
4.375%	07/01/23		75,000		75,000		212,30
4.375%	07/01/24		85,000		85,000		209,08
4.375%	07/01/25		85,000		85,000		205,30
4.375%	07/01/26		90,000		90,000		201,64
4.375%	07/01/27		95,000		95,000		197,70
4.375%	07/01/28		180,000		180,000		193,5
4.375%	07/01/29		185,000		185,000		185,6
4.375%	07/01/30		225,000		225,000		177,58
4.375%	07/01/31		225,000		225,000		167,73
4.375%	07/01/32		225,000		225,000		157,89
4.375%	07/01/33		225,000		225,000		148,0
4.375%	07/01/34		225,000		225,000		138,20
4.375%	07/01/35		225,000		225,000		128,30
4.375%	07/01/36		244,000		244,000		118,5
4.375%	07/01/37		250,000		250,000		107,84
4.375%	07/01/38		250,000		250,000		96,90
4.375%	07/01/39		250,000		250,000		85,96
4.375%	07/01/40		245,000		24,031		75,03
4.375%	07/01/41		245,000		-		64,31
4.375%	07/01/42		245,000		-		53,59
4.375%	07/01/43		245,000		-		42,87
4.375%	07/01/44		245,000		-		32,15
4.375%	07/01/45		245,000		-		21,43
4.375%	07/01/46		245,000				10,71

City of MarletteOther Supplemental Information Schedule of Indebtedness June 30, 2008

General Obligation Bonds / Installment Contracts

1994 Downtown Development Bond

Dated November 1, 1994, Interest Payable March 1, & September 1, Authorized Issue \$450,000

			Principal Outstanding					
	Interest Rate	Date of Maturity	June 30, 2008		June 30, 2007		1	emaining Interest Payable
	6.90%	3-1-08	\$	-	\$	30,000	\$	-
	6.95%	3-1-09		35,000		35,000		14,633
	6.95%	3-1-10		40,000		40,000		12,230
	7.00%	3-1-11		40,000		40,000		9,450
	7.00%	3-1-12		45,000		45,000		6,650
	7.00%	3-1-13		50,000		50,000		3,500
Total - Limited G.0	O. Bonds		\$	210,000	\$	240,000	\$	46,463
September 24, 1999 Inst Euclid & Sterling Street Principal and Interest Pa Authorized Issue \$100,0	Improvements ayable June 24 and 1							
	4.25%	12-24-07	\$	-	\$	5,713	\$	-
	4.25%	6-24-08		-		5,840		-
	4.25%	12-24-08		5,872		5,872		383
	4.25%	6-24-09		5,998		5,998		257
	4.25%	12-24-09		1,759		1,759		131
Total - Installment	Loan		\$	13,629	\$	25,182	\$	771

General Obligation Bonds / Installment Contracts

December 1, 1999 Installment Purchase Contract 3394 S. Main Street Principal and Interest Payable June 1, and December 1

Authorized Issue \$64,500

Total

				ing					
	Interest Rate	Date of Maturity	J	une 30, 2008		June 30, 2007	Remaining Interest Payable		
	4.25%	12-1-07	\$	-	\$	3,627	\$	_	
	4.25%	06-1-08		-		3,706		-	
	4.25%	12-1-08		3,748		3,748		245	
	4.25%	06-1-09		3,829		3,829		164	
	4.25%	12-1-09		2,059		2,059		83	
l - Serie	s A Bonds		\$	9,636	\$	16,969	\$	492	

Other Supplemental Information Schedule of Indebtedness June 30, 2008

General Obligation Bonds / Installment Contracts

May 8, 1999 Installment Purchase Contract 3391 S. Main Street Principal and Interest payable April 15 and October 15 Authorized issue \$80,000

Authorized issue \$6	imorized issue \$80,000			Principal (
	Interest Rate	Date of Maturity		June 30, 2008	 June 30, 2007	I	maining nterest ayable
	4.25%	10-15-07	\$	_	\$ 4,537	\$	_
	4.25%	04-15-08	,	-	4,636	·	-
	4.25%	10-15-08		4,737	4,737		204
	4.25%	04-15-09		4,881	 4,881		90
Total -3391	S. Main Street Install	Purch Contract	\$	9,618	\$ 18,791	\$	294
-	g - Tri-County Bank Iment Purchase Contra						
	est payable Nov. 7 and						
Authorized issue \$6	62,650						
	4.46%	11-7-07	\$	-	\$ 3,136	\$	-
	4.46%	5-7-08		-	3,216		-
	4.46%	11-7-08		3,293	3,293		637
	4.46%	5-7-09		3,366	3,366		564
	4.46%	11-7-09		3,440	3,440		490
	4.46%	5-7-10		3,516	3,516		414
	4.46%	11-7-10		3,594	3,594		336
	4.46%	5-7-11		3,674	3,674		256
	4.46%	11-7-11		3,755	3,755		175
	4.46%	5-7-12		3,816	 3,816		81
Total City/Tws	p. Building Purchase C	Contract	\$	28,454	\$ 34,806	\$	2,953
2001 MI Transports Bond Date - Septen							
Interest Payable Se Authorized Issue \$7	-						
	4.55%	9-1-07	\$	-	\$ 40,000	\$	-
	4.55%	9-1-08		45,000	45,000		20,589
	4.55%	9-1-09		45,000	45,000		18,541
	4.55%	9-1-10		50,000	50,000		16,380
	4.55%	9-1-11		50,000	50,000		14,105
	4.55%	9-1-12		50,000	50,000		11,830
	4.55%	9-1-13		55,000	55,000		9,441
	4.55%	9-1-14		55,000	55,000		6,939
	4.55%	9-1-15		60,000	60,000		4,323
	4.55%	9-1-16		65,000	 65,000		1,479
Total 2001 MI	Transportation Bond		\$	475,000	\$ 515,000	\$	103,627

Other Supplemental Information Schedule of Indebtedness June 30, 2008

General Obligation Bonds / Installment Contracts

DDA 2941 Main Street Property
Land Contracted Dated February 1, 2008
Payable February 1, Authorized Issue \$100,000

				Principal (Outstanding			
	Interest	Date of	J	une 30,	June 30,		Remainii Interest	
	Rate	Maturity		2008	20	07	P	ayable
4	1.20%	2-1-09	\$	50,000	\$	-	\$	7,000
4	1.30%	2-1-10		50,000				3,500
Total - Waste Water Disposal Bo	nds		\$	100,000	\$	-	\$	10,500

General Obligation Bonds / Installment Contracts

1999 Waste Water Disposal Limited Tax General
Obligation Refunding Bonds - 1999 Series Dated March 1, 1999
Interest Payable July 1, and January 1, Authorized Issue \$2,080,000

				Principal (
		Date	<u>-</u>				Rei	maining	
	Interest	of	J	June 30,		June 30,		Interest	
	Rate	Maturity	2008		2007		Payable		
	4.30%	7/1/08	\$	55,000	\$	55,000	\$	2,365	
	4.30%	7/1/09		55,000		55,000		2,365	
Total - Waste Water Disposal Bonds		\$	110,000	\$	110,000	\$	4,730		
Total Governmental-type Bonds & Contracts Payable		\$	8,257,337	\$	6,570,779	\$	7,574,020		

Other Supplemental Information Schedule of Indebtedness June 30, 2008

Principal Outstanding

June 30,

June 30,

Remaining

Interest

Date

of

Business-type General Obligation Bonds & Purchase Contracts

Revenue Bonds

<u>Sewer Revenue Bonds, Series 1994</u>
Dated August 1, 1994; Interest payable July 1, & January 1
Authorized issue \$210,000

Interest

Rate	Moturity	2008	2007	Dovoblo	
4.50%	<u>Maturity</u> 7-1-08	\$ 4,000		Payable \$ 8,100	
4.50%	7-1-08 7-1-09	4,000	\$ 4,000 4,000	*	
				7,920	
4.50%	7-1-10	4,000	4,000	7,740	
4.50%	7-1-11	4,000	4,000	7,560	
4.50%	7-1-12	4,000	4,000	7,380	
4.50%	7-1-13	4,000	4,000	7,200	
4.50%	7-1-14	4,000	4,000	7,020	
4.50%	7-1-15	4,000	4,000	6,840	
4.50%	7-1-16	4,000	4,000	6,660	
4.50%	7-1-17	4,000	4,000	6,480	
4.50%	7-1-18	6,000	6,000	6,300	
4.50%	7-1-19	6,000	6,000	6,030	
4.50%	7-1-20	8,000	8,000	5,760	
4.50%	7-1-21	8,000	8,000	5,400	
4.50%	7-1-22	8,000	8,000	5,040	
4.50%	7-1-23	8,000	8,000	4,680	
4.50%	7-1-24	8,000	8,000	4,320	
4.50%	7-1-25	8,000	8,000	3,960	
4.50%	7-1-26	8,000	8,000	3,600	
4.50%	7-1-27	8,000	8,000	3,240	
4.50%	7-1-28	8,000	8,000	2,880	
4.50%	7-1-29	8,000	8,000	2,520	
4.50%	7-1-30	8,000	8,000	2,160	
4.50%	7-1-31	10,000	10,000	1,800	
4.50%	7-1-32	10,000	10,000	1,350	
4.50%	7-1-33	10,000	10,000	900	
4.50%	7-1-34	10,000	10,000	450	
Total Sewer Revenue Bond		\$ 180,000	\$ 180,000	\$ 133,290	
Municipal Purchase Contract Water Main Installation - Fenner St. Contract Date - November 26, 2001, Princip Authorized Issue \$194,000	pal and Interest Payable	November 8			
1441011264 15546 \$171,000					
4.20%	11-1-07	\$ -	\$ 19,668	\$ -	
4.20%	11-1-08	20,456	20,456	3,725	
4.20%	11-1-09	21,338	21,338	2,844	
4.20%	11-1-10	22,246	22,246	1,935	
4.20%	11-1-11	23,200	23,200	992	
Total Municipal Purchase Contract		\$ 87,240	\$ 106,908	\$ 9,496	
Total Business-type Bonds & Purchase Contracts		\$ 267,240	\$ 286,908	\$ 142,786	

LEHN L. KING

CERTIFIED PUBLIC ACCOUNTANT

3531 MAIN STREET MARLETTE, MICHIGAN 48453

Phone 989-635-3113 Fax 989-635-5580

September 22, 2008

City of Marlette 6436 Morris Street Marlette, Michigan 48453

To the Members of the Council:

I have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Marlette for the year ended June 30, 2008, and have issued my report thereon dated September 22, 2008. Professional standards require that I provide you with the following information related to my audit.

My Responsibility under U.S. Generally Accepted Auditing Standards

As stated in my engagement letter dated October 10, 2006, my responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. My audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

I performed the audit according to the planned scope and timing previously communicated to you.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of my engagement letter, I will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the City of Marlette are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ending June 30, 2008. I noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Difficulties Encountered in Performing the Audit

I encountered no significant difficulties in dealing with management in performing and completing my audit.

Audit Adjustments (Corrected and Uncorrected Misstatements)

Professional standards require me to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to my satisfaction, that could be significant to the financial statements or the auditor's report. I am pleased to report that no such disagreements arose during the course of my audit.

Management Representations

I have requested certain representations from management that are included in the management representation letter dated September 22, 2008.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, professional standards require the consulting accountant to check with me to determine that the consultant has all the relevant facts. To my knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

I generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of my professional relationship and my responses were not a condition to my retention.

Communication of Significant Deficiencies and Material Weaknesses

In planning and performing my audit of the financial statements, as of and for the year ended June 30, 2008, in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, I considered the City of Marlette's internal control over financial reporting (internal control) as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the governmental unit's internal control. Accordingly, I do not express an opinion on the effectiveness of the governmental unit's internal control.

My consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, I identified certain deficiencies in internal control that I consider to be significant deficiencies and other deficiencies that I consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. I considered the following deficiencies to be significant deficiencies in internal control:

Preparation of Financial Statements - Management prepares internal financial information to assess operations and the financial position of the City of Marlette on an ongoing basis. Although the internal financial information is sufficient to operate the City, it is not presented in accordance with generally accepted accounting principles. The City contracts with me, the auditor, to draft the financial statements, including all necessary notes, in accordance with generally accepted accounting principles, since it does not retain staffing that currently have the expertise. I believe this meets the definition of a material weakness under *Statement on Auditing Standards 112*.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. The AICPA Auditing Standards Board issued Statements on Audit Standards (SAS) 112 which establishes standards and provides guidance on communicating matters related to an entity's internal control over financial reporting and is effective for periods ending after December 15, 2006. According to SAS 112, it is considered to be a control deficiency if a client I am auditing has ineffective controls over the preparation of their financial statements such that client controls are absent or controls are not effective in preventing or detecting material misstatements in the preparation of the financial statements, including the related footnotes.

Accrual Adjustments – During the audit, I generally provide significant assistance in identifying and posting accrual adjustments to the accounting records. Accruals represent any adjustments other than cash that impact the accounting records. I bring this to your attention since it meets the above definition on a matter to be communicated.

Segregation of Duties - The relative size of the City of Marlette limits the extent to which the officials can segregate duties and responsibilities which impairs the basic premise that no one individual should have access to both the physical assets and the related accounting records (or all recording tasks of a transaction from inception to completion).

The City has implemented mitigating controls to strengthen internal controls and the segregation of duties; however, it must be recognized that the risk of intentional or unintentional errors could be made and not detected in a timely manner.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, I believe the significant deficiencies described above to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

During the course of my examination an item came to my attention on which I would like to comment and offer my recommendation.

a. Per P.A. 621 of 1968, the council does not have authorization to spend money until the budget is officially enacted by the Council. This must be done prior to July 1. This budget should be included with the minutes of the City. The budget must be amended prior to the expenditure exceeding the budgeted item.

This report is intended solely for the information and use of management, the Council of the City of Marlette, and Federal and State agencies and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

Lehn L. King

Lehn King

Certified Public Accountant